

Sanford Health leaders,

The proposed merger of UnityPoint Health and Sanford Health, intended to close February 1, 2020, was to be approved during concurrent Board meetings on November 12, 2019. It is important for observers of this transaction to understand the completeness of the merger leading up to the anticipated approval of the final agreement, however the split vote yesterday ended the matter.

A brief history is recounted here with the understanding that any summary may fail to incorporate a full account of the efforts of management, physician leadership, external consultants and both internal and external legal advice. These matters are part of corporate records and not in dispute:

- After an introduction by mutual external advisors, the CEOs of UnityPoint and Sanford agreed to a vision and process of creating a new organization wherein neither health system would be acquired by the other, but instead create an aspirational new organization that would rank in the top 15 nonprofit health systems (by revenue) in the nation. Attributes of the new system would include infrastructure inherent for population health management, risk assumption related to health insurance, 83,000 employees, approximately 2,700 sponsored physicians, an international footprint, a full continuum of care, a national long-term care asset agenda, and an incredible financial profile from both Profit and Loss and Balance Sheet perspectives. This merger would bring health care significance to Middle America like nothing else prior or current.
- After several months of discussion and negotiation a balanced Letter of Intent was unanimously approved in June 2019 by both Boards.
- The process of Federal Trade Commission filings and review was undertaken, as well as early due diligence. Additionally, a longstanding inquiry into a separate medical device issue of Sanford by the Department of Justice was coming to conclusion and public reporting of the matter provoked an unsettling series of discussions and inquiries from UnityPoint toward Sanford.
- The conclusion from UnityPoint physician leadership, regarding the device issue, is summarized here for brevity and collegial politeness: "The review of the medical device issue in question revealed Sanford's process, policies and conduct are at least equal to and in some ways superior to those of UnityPoint." – UnityPoint physician.
- Due diligence proceeded with the merger, and the positive outcome from this again yielded a complete process without identifying material merger risk. Importantly, the results were agreements to provide enhanced processes to alleviate minor concerns from both parties, and a trust and common value of integrity and credibility emerged.
- On September 5, 2019, the Federal Trade Commission's timeframe for initial review concluded with no further inquiry or request. The merger had now cleared significant regulatory hurdles of material concern and the parties' Definitive (final) Agreement was nearing its final form.
- In late October 2019, both organizations had selected 11 at-large Trustees to populate the new Board. The following describes other terms that had been accepted and approved by both organizations' executive leaders and board leaders:
  - Board Chair: Randy Easton (UPH)
  - Board Vice Chair: Brent Teiken (Sanford)
  - President and CEO: Kelby Krabbenhoff (Sanford)
  - Sr. Executive Vice President: Kevin Vermeer (UPH)
  - Corporate domicile: Iowa
  - Corporate offices: co-located in West Des Moines, IA and Sioux Falls, SD
  - Name and brand: Sanford UnityPoint Health, d/b/a Sanford Health
- Again, a balanced set of high profile terms had been negotiated and achieved.
- Senior executive selection and appointment was painstakingly undertaken with a very balanced outcome of every corporate management position filled by existing members of both teams. This was reported to both Boards in completeness.
- Ongoing meetings and discussions among the key physicians and physician leadership had resulted in a mutual understanding that "the physicians" from both organizations had gotten out in front of the merger and paved the way in a mutual, professional and enthusiastic manner of supporting and recommending approval of this merger.
- Abruptly, on November 5, the All Board Education Retreat at UPH planned for November 11, 2019, was cancelled and a period of no communication or management interaction from UPH occurred. Instead, a UPH Board session ensued on November 11, wherein no executives, management, or physician leadership that had been a part of the elongated, elaborate and exhaustive process that positioned them as proponents of the merger were allowed to attend. What was left were UPH Board members who were either pro-merger or had little or no health system management experience, and yet significantly vested positions in their historic organizational structure...being appointed to the corporate board by virtue of their position on a regional hospital Board.

With over a year and a half of deliberate, difficult, professional and serious process and agreement, the vote was 13 to disapprove the merger and 6 to approve the merger. I conclude quoting a respected leader of UnityPoint Health, reacting to this Board action, "I am embarrassed for my organization, I am sad for our people and I am sad for our communities."

Such is the state of things.

As for Sanford, we will continue integrating the 24-state Good Samaritan Society into our system to complete the continuum of care we promised. We are significantly ahead of plan for that effort and will continue on our trajectory of historically positive financial and clinical outcomes. It is a blessing from this situation that we can celebrate the Good Samaritan Society and our incredible first year together.

I am proud of our behavior, our character, my Trustees and my executives across the country and globe.

Travel safe, we need you!

Kelb